

**Testimony of Rep. Steve King on “The Role of the Federal Government  
in Small Business Disaster Recovery”**

**September 12, 2008**

**Transportation and Infrastructure Subcommittee on Economic  
Development, Public Buildings, and Emergency Management**

First I want to thank Chair Holmes Norton and Ranking Member Graves for the opportunity to appear before the subcommittee today. I’ve wrestled with questions about the role of the federal government in small business disaster recovery for over a decade now, and I appreciate being able to discuss my take on this subject with you and the rest of the subcommittee today.

As you well know, in June of this year, much of my home state of Iowa was under water. The Floods of 2008 devastated cities, towns, and farmland across Iowa and across much of the Midwest. In many flood-ravaged areas, some of those hardest hit were small business owners.

Before I came to Congress, I myself owned a small business that was nearly washed away by flood waters twice in the 1990s. Because of that experience, I understand the challenges that lie ahead for these dedicated and driven entrepreneurs as they begin the process of salvaging what’s left of their businesses and rebuilding their source of livelihood.

Having personally experienced this, I can also identify with the frustration that many small business owners in the affected states are currently feeling about the relatively few government assistance options that are available to them to help them move on and rebuild their livelihoods.

The Small Business Administration does make loans available to help businesses get back on their feet after disasters like floods and hurricanes. But, many very small businesses run on very tight margins that don't allow for the addition of sizeable monthly loan payments to their balance sheets. Shortly after the flood waters receded in the eastern Iowa town of Cedar Rapids, I met with a group of very small business owners whose businesses were severely damaged by the historic flood. As you can imagine, it was a heart-wrenching experience.

Most had already jumped through the various bureaucratic hurdles of the federal disaster response system.

Most did so only to find that the only aid available to them to begin the rebuilding process was SBA loans that had payments they couldn't afford. That would place them—many nearing retirement—back in the woefully undercapitalized position they were in when they started their businesses decades ago.

Unfortunately, this is an all too familiar situation to many small business owners who have weathered disasters. To make matters worse, as business owners work through the recovery process, they look around them and see individuals getting thousands of dollars from FEMA to help address damage and loss sustained in their homes. And yet, there are no grants available to even the smallest of businesses.

I can recall a time when nearly every piece of heavy equipment that I had in my construction business was under six feet of flood water. Despite this loss, my home was high and dry, so I received no grant assistance from FEMA. Instead I was left to figure out how to get my business—the livelihood of my family and of the families of those who worked for me—up and running while watching many of those who I knew collect thousands from FEMA because they got a little water in their basements.

I understand some of the arguments that are made against broadening disaster grant assistance to for-profit businesses. But we must keep in mind that businesses are taxpayers too. Why should individuals and households be entitled to recoup money they have sent to DC in the form of grants when businesses of all sizes are not?

Madam chair, I believe it is important to think through this question carefully. After all, we spend millions—sometimes Billions—of dollars to help individuals repair the damage their homes have sustained. Yet the individual's employer may have been equally devastated by the flood waters. They may be unable to quickly re-open their doors due to a lack of available assistance, and a job and paycheck is lost. In this situation, the federal government has spent thousands of dollars to repair someone's home, and yet, without a job to return to, that person may have no way to pay the mortgage.

I make this point to illustrate the fact that, in my view, getting businesses back up and running is an important part of the recovery process.

We must level the playing field between individuals and small businesses when it comes to disaster relief. And, we must ensure that we begin to correctly recognize business recovery as an important aspect of overall disaster recovery. To do this, I've introduced H.R. 6641, the Small Business Owner Disaster Relief Act. This bill would provide the same kind of FEMA grant relief to very small businesses—defined as of 25 employees or less—that is available to individuals and households through the Stafford Act. My bill would also place the same restrictions upon this grant aid that are currently placed upon aid given to individuals. As such, grants would be subject to the current \$28,000 cap and the 25% state cost share.

I should be clear, however, that I do not expect a \$28,000 grant to be a sufficient amount of money to completely fund the recovery and rebuilding process that many small businesses in the Midwest and on the Gulf coast are now undertaking. But it is a start, and it is a way to show them that their recovery matters and that their recovery is just as much a priority as that of any individual or household living around them.

Small businesses are the life-blood of the American economy. I would imagine that probably every single member of Congress, from both sides of the aisle, at one time or another has given a speech or two about the virtues of American small businesses. I believe it's now time to put our money where our mouth is. We must act now to ensure that these businesses are given the resources they need to weather devastating storms and continue their role as the engine of our economy.

I want to close by again thanking the chair and ranking member for the invitation to appear today before this body, and I will gladly answer any questions that you may have.